

Law Offices of
TOSDAL, SMITH, STEINER & WAX
600 B Street, Suite 2100
San Diego, CA 92101-4508
website: tosdalsmith.com

Thomas L. Tosdal
Ann M. Smith
Fern M. Steiner
Michael K. Wax
Jon Y. Vanderpool
James M. Stern*
Angela M. Jae
Jennifer Riley

Telephone: (619) 239-7200
Facsimile: (619) 239-6048
Email: asmith@tosdalsmith.com

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*Certified Specialist Workers' Compensation Law
State Bar of California Board of Legal Specialization

Honorable Members of Charter Review
Financial Reform Sub-Committee
Donna Jones, Chair
Council Committee Room
City Administration Building
202 C Street, 12th Floor
San Diego, CA 92102

Re: 8/24/07 Meeting, Agenda Item - 2: Composition of SDCERS Board

Dear Members:

On behalf of the nearly 6,000 active City employees represented by the San Diego Municipal Employees Association – who serve the residents of San Diego in a multitude of professional, technical, supervisory and administrative and field support positions – I offer the following comments for your consideration in relation to the above-referenced agenda item.

The Charter Review Committee and its Sub-Committees have been presented with a daunting task both in the scope and in the importance of its mission and, to be effective, must prioritize the issues which will have the greatest impact on the effective governance of the City of San Diego. Thus, while the Kroll Report suggested that a *further* Charter revision related to the make-up of the Retirement Board might be helpful for largely unspecified reasons of “efficiency,” this Sub-Committee should take note of the fact that a Charter revision on this issue was already effected by a vote of the electorate in November 2004. That Charter change resulted in a significant change in the make-up of the Board in that the number of seats allocated to persons actually employed by the City and participating in and contributing to the pension plan was reduced, with the number of seats to be filled by persons outside the City increased to a *majority* of the total 13 seats. In addition, well-defined eligibility requirements were also established for those being considered for appointment to the Board.

Any objective review of the workings of the Board over the past year – with seats now filled in accordance with this Charter change and despite enormous distractions and pressures – would lead to the conclusion that this Board make-up is *not* broken and does not merit further “fixing.”

Moreover, an examination of the Kroll Report’s actual recommendation regarding Board make-up shows the folly of any additional Charter revision on this issue. As you know, the present make-up of the Board includes two employees elected by active General Members of the system; one elected by active Police Safety Members; one elected by active Fire Safety Members; and one elected by Retired Members of the system.

The Kroll Report’s authors acknowledge that “it must be recognized that employees and retirees, whose contributions helped build the System’s assets, have a direct financial interest in the system’s welfare unlike any other, and that interest is deserving of respect.” But, the authors continue: “We believe a nine-member Board is small enough to encourage collaboration and collegial exchange of views, yet sufficient to oversee the retirement plan and the work performed by the approximately 60 employees of SDCERS.” However, no empirical or anecdotal evidence is offered as to why a *nine-member* Board would be superior in performing these functions than the current *thirteen-member* newly-configured Board – which, as noted above, by any objective analysis is functioning very well.

Yet the Kroll Report’s authors propose an arbitrary new number of employee representatives – *only two* for *all* active employees who number in excess of 10,000 plan participants, including the distinct and different communities of police safety, fire safety and general members – and two for retired employees. There is no attempt at analysis as to how and why such a change would be *fair* to the uniquely-situated thousands of active and retired employees who are directly invested in their pension plan. Nor is there any indication as to the authors’ rationale in concluding that such a further reduction in and reallocation of participant representation would nevertheless demonstrate the “respect” for employees’ and retirees’ unique interest in their pension system which the authors otherwise acknowledge must be shown.

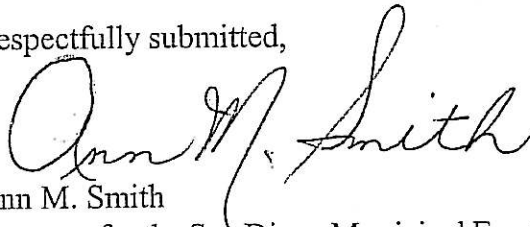
Police and Fire Safety Members have had their own separate representative on the Board for decades because these are identifiable and distinct communities of active employees whose safety benefits are different than those available for general members of the system; and decades ago, each group, in fact, had a separate pension plan. There are thousands more general members of the system than safety members – yet the general member representation was already reduced from three elected representatives to two as a result of the 2004 Charter change. While MEA-represented active employees have no objection to the *addition* of another Retired Member representative – making that number two instead of one – such an addition must not be accomplished to the detriment of active

employees who are putting a portion of their paycheck into the system every payday, and have made other economic concessions in the collective bargaining process which detrimentally impact their take-home pay in order to improve and preserve their pension benefits as a form of deferred compensation. And, it must be remembered that any increase in the number of Retired Member representatives would upset the new balance which was created by the 2004 Charter revision whereby the outside Board Member appointees outnumber those representatives who are actually participants in the plan. Thus, the Kroll Report's recommendation on this issue lacks any compelling justification – yet, if adopted, would produce a palpable detriment to the interests of active employees participating in the system.

Accordingly, MEA-represented employees urge this Sub-Committee to recommend against any further Charter change related to the make-up of the Retirement Board because (1) a critical change in Board make-up was already effected by the November 2004 Charter amendment; (2) the current make-up of the Board is not “broken” and does not need fixing; (3) the Kroll Report offers no evidence supporting its supposition that a 9-member Board would achieve greater efficiencies in “collaboration and collegial exchange of views” than the currently designed 13-member Board; and (4) a *further* reduction in the total number of elected active employee representatives, as proposed, would be unfair to safety and general members of the system whose direct financial interest in the administration of their pension plan cannot be denied and, as the Kroll authors acknowledge, is “deserving of respect.”

In short, this Charter Review Committee should not expend precious limited resources, time and brain power on an issue that has been *fixed* by such a recent Charter change – especially when there is not an iota of evidence that the newly-constituted make-up of the Board is not working efficiently and effectively in performing its Charter and Constitutionally-based mission.

Respectfully submitted,

A handwritten signature in cursive script, reading "Ann M. Smith". The signature is written in dark ink and is positioned above the printed name and title.

Ann M. Smith

Attorney for the San Diego Municipal Employees
Association

cc: Lisa Briggs